Review

Corporate Social Responsibility – A guide for trade unions (Global Solidarity and Irish Congress of Trade Unions)

Reviewed by John Capel

After the 1929 Wall Street collapse and the great depression, pressure mounted on corporations to behave responsibly. US President Roosevelt's New Deal introduced reforms to hold corporations in check. These included worker regulations, social safety nets and progressive taxation.

Corporate social responsibility – A guide for trade unions (the *Guide*) explains that after the Second World War, an economic model emerged in Europe based on the writings of John Maynard Keynes which regulated the market and ensured a stronger developmental role for governments. Until the late 1970s, the market economy was fairer in the distribution of benefits and in enabling job security than it is today. Higher corporate taxes were used to promote citizens' welfare.

Then Milton Friedman published *The Social Responsibility of Business* which he believed was to create increased profits for shareholders. This idea underpinned neo-liberalism and brought with it deregulation, privatisation, free trade and the opening up of markets. Within a short time social contracts between the state, labour and business broke down and welfare and safety nets began to disappear.

CSR EMERGES

At the beginning of the 20th century, religious groups like the Quakers began to invest money in line with their religious beliefs. In the 1950s the US civil rights movement called for no investment in companies which discriminated against blacks. Later the anti-apartheid movement called for the withdrawal of investment in companies which benefited from apartheid.

Over the last 30 years, big corporations have come to rule the world. They shape government policy and employment levels and manipulate the state to enable capitalist profits. If governments intervene in economies to provide social welfare, global capital threatens to stop investment inflows.

In response, civil society and ethical investors started to question business practice including its indirect costs, such as pollution of rivers for which it takes no responsibility. The idea of Corporate Social Responsibility (CSR) was born.

Now the buzzword 'Corporate Social Responsibility' is everywhere. As the *Guide* points out, there are international instruments, codes of conduct and conferences all seeking to determine what constitutes CSR.

WHAT IS CSR?

For many companies their charitable activities and public relations campaigns make them look good. Some prominent corporations are forced through publicity to consider fair buying and ethical sourcing practices. The rest continue as usual.

The King Report on good governance defines CSR as "the commitment of business to sustainable development and the improvement of quality of life by working with employees, their families, the local community and society at large."

CSR is also described as the decision-making and implementation process that guides companies to practise international human rights, labour and environmental standards and compliance with legal requirements wherever it operates.

CSR involves a company commitment to the economic, environmental and social sustainability of communities by engaging stakeholders, including local communities and by publicly reporting company policies and performance in the economic, environmental and social arenas.

However, as the *Guide* points out, unions and communities are not just another stakeholder. More than buyers, suppliers and customers they must take precedence in CSR. Trade unions have a key role to play as their members are central to the corporation.

CONTEXT OF CSR

As the *Guide* shows, CSR emerges from neo-liberal globalisation. Governments offer companies tax and other concessions to invest including more flexible labour regimes. Governments have abandoned their role as protectors so civil society has been forced to promote socially responsible practices to hold business accountable.

From the 1980s, activists emerged to counter the excessive power of corporations. The 1992 Earth Summit was a catalyst for homing in on business and sustainable development, and it made calls for regulations to govern transnational corporations. This failed as corporations escaped proper scrutiny arguing that compliance was voluntary. But by promoting voluntarism, corporations opened up space for civil society and non-governmental organisations (NGOs) to inspect them.

Corporations argue they have a duty to make profits for shareholders. If they don't, shareholders can fire directors. Former BP CEO, John Browne, said he was committed to sustainable development but he was willing to destroy the delicate Alaskan ecosystem when mining oil because he had a duty to shareholders.

The *Guide* notes that WTO rules promote open markets, deregulation and privatisation which are in conflict with CSR. Institutions like the World Bank and IMF need to include a strong sustainability angle and the World Bank has started to include some social and environmental criteria into investment decisions.

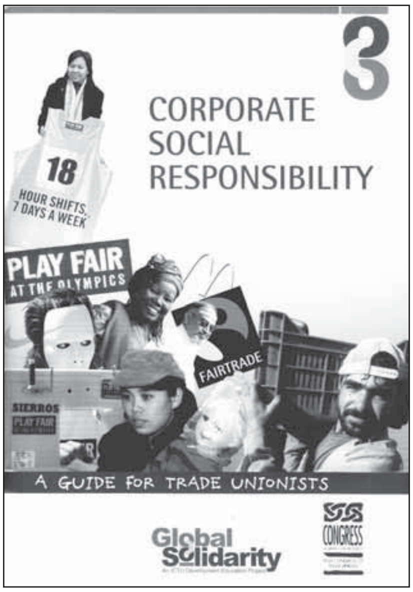
SUCCESS OF VOLUNTARY APPROACH

The *Guide* notes that anti-corporate activism has had a serious impact on some large corporations. World-wide campaigning has led in many instances to the recognition of worker rights, and corporations wanting to protect their image have adopted policies and practices that go beyond profit making.

But activists want more in the form of binding regulations and corporate accountability. Corporate accountability and corporate responsibility are two sides of the same coin. CSR is the term used by corporates and NGOs want to hold them accountable to this.

The battle is on as northern consumers use their buying power and ethical investors use shares to become activist shareholders and mass publicity to embarrass companies by exposing bad practices. What is voluntary today will be compulsory tomorrow.

Corporations respond with buying and fair labour codes, but the *Guide* shows many weaknesses with these codes with their lack of accountability, monitoring and



enforcement mechanisms. "In the end, workers are protected not by enlightened business practices, but by the application of law and by what they can do for themselves through trade unions and collective bargaining."

But CSR is an agenda for change. Drivers of change are consumers, activist shareholders and public opinion. Other drivers of change are global warming, water scarcity, air quality, the environment, ecosystems, economic exclusion and global poverty. All these affect business. Business has an interest in building a sustainable world and business environment. CSR may not fundamentally change corporate capitalism, but it can act as a force for change.

Companies can no longer ignore their impact on workers, communities and societies. They need to address the interests and concerns of stakeholders such as unions, national, regional and local governments, indigenous people, communities, employees and competitors.

Companies need a social license to operate which means an acceptance by society of their operations. People want corporations to operate with due regard for workers and community well-being. As the Bench Mark Foundation notes, "You don't get your social license by going to a government ministry… It requires far more than money to become part of the communities in which you operate."

CSR AS A MANAGEMENT TOOL

The *Guide* highlights voluntary international instruments, such as the Global Compact, the Global Reporting Initiative (GRI), OECD guidelines for multinational companies, and the International Standards Organisation (ISO). It critiques these tools, by pointing out the weakness of the voluntary approach.

It also identifies that business is vulnerable to public criticism and shows how companies like Nike and Tesco have come under pressure to source goods from suppliers with ethical practices such as labour rights and fair pricing.

Companies under the spotlight adopt ethical codes but these are often company-driven without independent input or monitoring. The GRI requires companies to report on whether they are measuring up to being a good corporate citizen. But many corporations conduct reports as a PR exercise and then do the minimum.

Companies develop policies on issues and put these into their annual sustainability reports. But there is a huge gap between policy and practice. Auditing firms like Ernest and Young do social auditing which they lack the expertise to conduct. They are also paid by the companies they audit and prepare reports that suit the client. This makes corporations look socially responsible. The weaknesses of reporting lies in the lack of clear standards informing CSR. (see SALB 30.5)

POWER OF MARKET PERSUASION

With today's fast information flow, corporations are most affected by bad publicity and in the north consumers are becoming ethically aware and refuse to buy products like Nike if made in sweatshops.

However the *Guide* notes the difference between affluent societies and developing countries, where consumer awareness does not work. For developing countries international solidarity is an alternative.

Companies like Anglo American listed on the London Stock Exchange are sensitive to 'noises' from the south and try to appease socially conscious shareholders. Mine accidents in South Africa drastically increased in 2007/8 and because of media coverage and studies done by Bench Marks, which measured their social, economic and environmental performance, there has been a shift in the safety programmes of mining houses.

EXTERNALISING COSTS

It is important to know how companies make profits, whether in sweatshops, through releasing dangerous chemicals into water ways, or through passing on production costs to society.

Often business passes on labour costs to society. In the mining industry because of low pay miners use a small living-out allowance to survive and live in shack settlements without water and electricity. People rely on rivers, often contaminated by mining waste, for water. This impacts on their health and ability to perform and promotes mine accidents. The problem of proper housing is passed onto the local community and results in competition for scarce resources.

TRADE UNION ROLE

CSR is contested and there are narrow and wide definitions. Here Bench Marks identifies aspects lacking in the *Guide*.

A narrow definition of CSR means obeying the laws of the land, a rights-based approach. A wider definition means contributing to a sustainable world with a developmental focus. This means monitoring labour standards, but also measuring investment impacts and local economic development.

For example, SA retailers expand into Africa at the expense of local supermarkets which cannot compete and collapse. This destroys local economies and people's livelihoods. SA supermarkets fly in goods and put local suppliers and farmers out of business. Supply chain development and skills transfer is an important part of economic sustainability.

In the mining sector ecosystems are damaged, and local people have to live with deteriorating air and water quality (see SALB 32.2). For companies to be socially responsible they must address social, economic and environmental impacts. They can do this with high tech solutions, community engagement and empowerment and through job creation initiatives.

Unions are often critical of CSR seeing it as competing with their needs. This is often because CSR often takes the form of companies investing in communities and workers prefer it to go into better wages and working conditions. But NGOs see CSR as a force for change, especially the mobilisation of communities around sites of operation. Unions need to represent their members' interests both in the workplace and the wider society.

Corporations have direct and indirect impacts. They directly impact on levels of employment and wages while indirect impacts are pollutants into the atmosphere which affects the community as a whole.

Unions should monitor companies' compliance with ILO labour standards and also play a role in monitoring social, economic and environmental impacts. Unions could also watch supply chains and monitor if companies are dealing fairly with suppliers through fair compensation, and if suppliers adhere to fair labour standards. Unions could promote fair trade.

Unions could demand that government hold corporations accountable through regulation, for example around revenues and tax, royalties and direct benefits to communities. Unions need to seize the opportunity to hold corporations accountable beyond wages and working conditions.

Unions need to engage with civil society campaigns around socio-economic rights. The *Guide* notes examples of this in Ireland where workers supported a successful human rights campaigns against Coca-Cola in Colombia, where nine workers were murdered by paramilitary forces for trying to form a union.

Unions are in a good position to demand responsible business practices and to direct corporate spending to targeted projects in communities.

Ultimately we need binding national and international laws that hold corporates to account, and that offer protection to workers and communities with harsh remedies for non-compliance.

The world faces global heating, scarce water and increasing poverty. All pose a survival threat to humanity which drives CSR and sustainable development activities. Corporations can no longer act against human rights, environmental sustainability and sustainable societies. Business will not survive, nor will planet earth. LB

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